

CIA/OCI/BRIEF 073-73
16 NOVEMBER 1973

Approved For Release 2001/08/14 : CIA-RDP85T00875R000600050069-2

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MEA BRIEF 073.

ITEMS MARKED & HAVE BEEN COORDINATED WITH THE DEPARTMENTS
 OF STATE AND DEFENSE.

1. ARAB STATES - ISRAEL: THE IMPLEMENTATION OF
 THE CEASE-FIRE AGREEMENT BEGAN ON 15 NOVEMBER, WITH NO
 SIGNIFICANT PROBLEMS DEVELOPING.

THE FIRST STAGE OF THE PRISONER-OF-WAR EXCHANGE
 TOOK PLACE WITH THE TRANSFER OF 26 ISRAELI WOUNDED
 PRISONERS AND OVER 400 EGYPTIANS. ACCORDING TO A
 PRESS ACCOUNT, EGYPT WAS UNABLE TO ORGANIZE THE REPATRIATION
 OF A LARGER NUMBER OF ISRAELI PRISONERS. NO ADVERSE ISRAELI
 REACTION TO CAIRO'S DELAY WAS REPORTED.

CONTINGENTS OF THE UNITED NATIONS EMERGENCY
 FORCE (UNEF) TOOK CONTROL OF THE ISRAELI CHECKPOINTS
 AT KILOMETERS 101 AND 119. A UNEF PRESS SPOKESMAN
 CLAIMED THAT THERE ARE NO OTHER ISRAELI CHECKPOINTS
 ON THE CAIRO-SUEZ ROAD. TRUCKS CARRYING RELIEF SUP-
 PLIES TO SUEZ CITY PASSED THROUGH THE CHECKPOINT AT

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KILOMETER 101 ON 15 NOVEMBER. AN INTERNATIONAL RED CROSS
SPOKESMAN HAS ALSO ANNOUNCED THAT THE EVACUATION OF
MORE THAN 1,000 SICK AND WOUNDED EGYPTIAN CIVILIANS
FROM SUEZ CITY WILL BEGIN ON 16 NOVEMBER.

~~ACCORDING TO PRESS REPORTS, ISRAELI DEFENSE
MINISTER DAYAN SAID THAT TEL AVIV HAD MADE "FAR REACHING"
PROPOSALS TO DAMASCUS INCLUDING AN EXCHANGE OF PRISONERS
AND OFFERED TO ALLOW ABOUT 15,000 DISPLACED CIVILIANS FROM
NEWLY CAPTURED AREAS ON THE GOLAN HEIGHTS TO RETURN TO
THEIR HOMES. MEANWHILE, ISRAELI FOREIGN MINISTER EBAN AND
SECRETARY-GENERAL WALDHEIM AT THE UN AND A SPECIAL UN ENVOY
IN DAMASCUS ARE SEEKING WAYS TO RESOLVE THE ISRAELI-
SYRIAN PRISONER ISSUE.~~

EGYPTIANS HAVE GENERALLY BEEN SATISFIED WITH
THE EGYPTIAN-ISRAELI DECISION OF WEDNESDAY TO PROCEED
WITH THE IMPLEMENTATION OF FOUR ELEMENTS OF THE SIX-
POINT AGREEMENT OF 11 NOVEMBER. THE NEW, BUT RESTRAINED
OPTIMISM ENDS A PERIOD OF GLOOM AND FRUSTRATION OVER WHAT

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RADIO TRIPOLI ON 15 NOVEMBER CARRIED WHAT WAS DESCRIBED AS A CABLE SENT BY PRESIDENT QADHAFI TO PRESIDENT SADAT DEALING WITH THE ARAB-ISRAELI WAR AND ITS AFTERMATH. QADHAFI'S MESSAGE BITTERLY CONDEMNED SADAT'S ACCEPTANCE OF THE CEASE-FIRE; THE WAR, QADHAFI SAID, SHOULD HAVE BEEN CONTINUED "EVEN IF IT DEVELOPED INTO HAND-TO-HAND FIGHTING."

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THE COMMUNIQUE ISSUED ON 15 NOVEMBER FOLLOWING THE TITO-BREZHNEV TALKS IN KIEV BROKE NO NEW GROUND ON THE MIDDLE EAST. BOTH LEADERS RECOGNIZED THE IMPORTANCE OF OBTAINING A MIDDLE EAST SETTLEMENT AND REAFFIRMED THEIR READINESS TO MAKE EFFORTS IN THAT DIRECTION. THE COMMUNIQUE ACCUSED ISRAEL OF "CRUDE FLOUTING" OF THE UN CEASE-FIRE RESOLUTIONS AND NOTED THE "DANGEROUS CONSEQUENCES" OF ISRAEL'S "ADVENTUROUS ACTIONS." MEANWHILE, IN MOSCOW, PREMIER KOSYGIN TOLD A GUINEAN DELEGATION THAT THE SOVIETS WILL CONTINUE TO GIVE THE "UTMOST ASSISTANCE" TO IMPLEMENT UN RESOLUTIONS ON THE MIDDLE EAST. PRAVDA ALSO EMPHASIZED MOSCOW'S CONTINUING ROLE IN ACHIEVING A MIDDLE EAST SETTLEMENT.// THE SOVIET WEEKLY NEW TIMES TOUCHED ON THE SENSITIVE SUBJECT OF ARAB FINANCIAL HOLDINGS IN THE WEST BY NOTING THAT SUBSTANTIAL SUMS ARE HELD IN US AND WEST EUROPEAN BANKS. IT SAID "IF THE ARABS WITHDREW ONLY HALF OF THEIR INVESTMENTS, IT WOULD LEAD TO A SERIOUS UPHEAVAL OF THE

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FINANCES OF MANY WEST EUROPEAN COUNTRIES." THE US WAS NOT EXPLICITLY MENTIONED IN THIS REGARD. ALTHOUGH MOSCOW HAS ENDORSED THE USE OF ARAB OIL, IT HAS NOT MADE SUCH EXPLICIT REFERENCE TO THE SIGNIFICANCE OF ARAB FINANCIAL RESERVES.//

//THE FRENCH FOREIGN MINISTRY HAS REJECTED THE INITIAL DRAFT OF THE EC'S PROPOSED JOINT DEMARCHE TO THE ARABS. PRESUMABLY PARIS OBJECTED TO THE FIRST PARAGRAPH OF THE PROPOSED TEXT, WHICH NOTED THAT "RECENT MEASURES TAKEN BY ARAB STATES ARE OF SUCH A NATURE AS TO AFFECT THE EUROPEAN COMMUNITY--AND CERTAIN OF ITS MEMBERS IN PARTICULAR--TO DISTURB PUBLIC OPINION, AND TO HAVE A NEGATIVE EFFECT ON EUROPEAN-ARAB RELATIONS." THE DRAFT WILL PROBABLY BE REVIEWED AGAIN, AND MAY BE SOFTENED, AT THE EC FOREIGN MINISTERS' MEETING SCHEDULED FOR 20 NOVEMBER IN COPENHAGEN.//

FURTHER PROGRESS HAS BEEN MADE AT THE UN IN ASSEMBLING THE PEACEKEEPING FORCE. THE UN EMERGENCY

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FORCE NOW HAS APPROXIMATELY 2,200 TROOPS IN THE MIDDLE EAST AND ENOUGH PLEDGES TO BRING IT CLOSE TO THE 7,000-MAN GOAL. NEGOTIATIONS HAVE ALSO REACHED TENTATIVE AGREEMENT ON A SPECIAL ASSESSMENT SCALE FOR THE FINANCING OF THE EMERGENCY FORCE. UNEF, HOWEVER, IS STILL WITHOUT ADEQUATE SUPPLIES OR LOGISTIC SUPPORT FOR ITS RAPIDLY GROWING FORCES. {SECRET}

82. SYRIA: INTENSE EFFORTS ARE UNDER WAY TO RESTORE SYRIA'S ELECTRIC POWER CAPACITY, ROUGHLY HALF OF WHICH WAS KNOCKED OUT BY ISRAELI AIR STRIKES. PRIORITY HAS APPARENTLY BEEN ASSIGNED TO REPAIRING THE CZECH-BUILT POWERPLANT AT QATTINAH, THE COUNTRY'S LARGEST POWER FACILITY. THIS PLANT SERVES THE IMPORTANT AREAS OF HIMS AND DAMASCUS. CZECH SPECIALISTS HAVE ARRIVED AT QATTINAH IN RESPONSE TO SYRIAN APPEALS, AND DAMASCUS CLAIMS THAT THE PLANT WILL BE FUNCTIONING BY ABOUT 18 NOVEMBER, ALTHOUGH PROBABLY AT PARTIAL CAPACITY. PENDING REPAIR OF ITS MAJOR

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PLANTS, SYRIA HAS URGENTLY REQUESTED BOTH MOBILE AND STATIONARY DIESEL GENERATORS FROM CZECHOSLOVAKIA AND EAST GERMANY. {SECRET}

3. SAUDI ARABIA: MOSCOW'S EFFUSIVE PRAISE OF KING FAYSAL'S CONGRATULATORY MESSAGE ON THE OCCASION OF THE ANNIVERSARY OF THE OCTOBER REVOLUTION--THE FIRST SUCH MESSAGE EVER FROM FAYSAL--IS NOT LIKELY TO SOFTEN RIYADH'S BASICALLY HOSTILE VIEW OF THE SOVIET UNION. THE UNATTRIBUTED COMMENTARY, CARRIED ON MOSCOW RADIO TO THE ARAB WORLD ON 14 NOVEMBER, EXPRESSED THE HOPE THAT THE "FRIENDLY MESSAGE" FROM THE SAUDI MONARCH WOULD HELP TO "CONSOLIDATE ARAB-SOVIET RELATIONS."

//THE TIMING OF FAYSAL'S MESSAGE, COINCIDING WITH SECRETARY KISSINGER'S VISIT TO SAUDI ARABIA LAST WEEK, SUGGESTS THAT IT WAS INTENDED MORE AS A JIBE AT THE UNITED STATES THAN A SAUDI INITIATIVE TO DEFROST SAUDI-SOVIET RELATIONS.//DURING THE HEIGHT OF THE MIDDLE EAST WAR, THERE WERE A FEW REPORTS INDICATING THE SAUDIS WERE CONSIDERING THE ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE USSR, BUT THERE HAVE BEEN NO SUCH REPORTS SINCE THE

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CEASE-FIRE. SOVIET SUPPORT OF THE ARABS DURING THE WAR IS UNLIKELY TO HAVE MODIFIED FAYSAL'S VIEW THAT MARXISM AND ZIONISM ARE TWIN THREADS OF THE SAME CONSPIRACY. {CONFIDENTIAL}

4. MOSCOW HAS ANNOUNCED THAT A PARTY-GOVERNMENT DELEGATION FROM THE NEWLY PROCLAIMED REPUBLIC OF GUINEA-BISSAU {PORTUGUESE GUINEA} WILL ARRIVE IN MOSCOW ON AN "OFFICIAL" VISIT ON 19 NOVEMBER. THE DELEGATION WILL BE LED BY LUIS CABRAL, LEADER OF THE INSURGENT GROUP THAT HAS BEEN CHALLENGING PORTUGUESE CONTROL AND HEAD OF THE NEW GOVERNMENT.

MOSCOW RECOGNIZED THE REBEL GOVERNMENT ON 1 OCTOBER, A FEW DAYS AFTER IT PROCLAIMED INDEPENDENCE. THE VISIT WILL GIVE MOSCOW AN OPPORTUNITY TO DISPLAY ITS ANTI-IMPERIALIST CREDENTIALS AND DEMONSTRATE THAT DETENTE HAS NOT CAUSED IT TO LOSE ITS REVOLUTIONARY FERVOR. THE USSR HAS EXPRESSED ITS WILLINGNESS TO ESTABLISH DIPLOMATIC TIES WITH THE NEW REPUBLIC, AND THE VISIT MAY BE THE OCCASION FOR AN ANNOUNCE-

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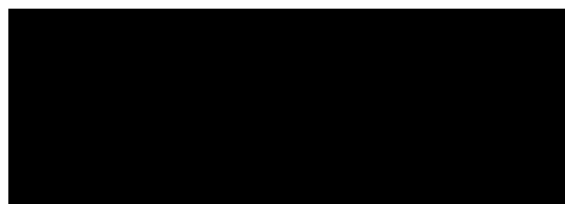
MENT ON THIS SUBJECT. IN ADDITION, MILITARY AID
WILL PROBABLY BE DISCUSSED. THE USSR IS THE LARGEST
SOURCE OF MILITARY EQUIPMENT FOR THE INSURGENTS.

{CONFIDENTIAL} E-2 IMPDETH

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EAST ASIA BRIEF 073.

1. CHINA: CHINA IS DEMONSTRATING CONCERN OVER RISING TENSIONS IN PAKISTAN, AFGHANISTAN, AND TO A LESSER EXTENT IRAN. THE NEW DAQUD GOVERNMENT'S SUPPORT FOR AN INDEPENDENT STATE OF PUSHTUN HAS STRAINED AFGHAN RELATIONS WITH PAKISTAN, AND DAQUD'S ENCOURAGEMENT OF DISSIDENT BALUCHI TRIBESMEN HAS CAUSED TROUBLE WITH IRAN. AS A RESULT OF RECENT BORDER SKIRMISHING, BOTH AFGHANISTAN AND IRAN HAVE REINFORCED THEIR FORCES ON THE AFGHAN-IRANIAN FRONTIER. PAKISTAN HAS MOVED REGULAR TROOPS TO THE BORDER AND HAS ALERTED ITS AIR FORCE/ KABUL REPORTEDLY HAS ALSO INCREASED ITS MILITARY PREPAREDNESS.

CHINA HAS CLOSE TIES WITH PAKISTAN AND A WARMING FRIENDSHIP WITH TEHRAN. PEKING MADE STRONG COMMITMENTS TO PAKISTANI TERRITORIAL INTEGRITY FOLLOWING PAKISTAN'S DISMEMBERMENT IN LATE 1971, IN PART TO DISCOURAGE EXTERNAL SUPPORT FOR TRIBAL SEPARATISTS.

CHINESE LEADERS APPEAR TO BE CONVINCED THAT TENSIONS IN THE REGION ARE A DIRECT RESULT OF AN AGGRESSIVE SOVIET ATTEMPT TO IMPROVE MOSCOW'S STRATEGIC POSITION IN SOUTH ASIA. THE CHINESE HAVE CATALOGUED THESE SOVIET SINS TO A LONG LIST OF FOREIGN OFFICIALS. CHINESE

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OFFICIALS CLAIM THAT THE SOVIETS INTEND TO GAIN INFLUENCE IN THE AREA AND ESTABLISH PERMANENT ACCESS TO THE ARABIAN SEA, THAT THEY ENGINEERED THE COUP IN AFGHANISTAN THIS SUMMER, AND THAT THEY ACTIVELY SUPPORT SEPARATIST OPERATIONS. CHOU EN-LAI REPORTEDLY WENT SO FAR AS TO TELL RECENT CANADIAN VISITORS THAT MOSCOW INTENDS TO UNITE BALUCHI TRIBESMEN LIVING IN CONTIGUOUS AREAS OF THE THREE COUNTRIES WITH THOSE IN THE USSR TO FORM A NEW STATE DOMINATED BY MOSCOW.

ALTHOUGH PEKING'S ASSETS IN THE REGION ARE LIMITED AND THE SITUATION ALONG THE FRONTIERS SEEMS FAR SHORT OF OPEN CONFLICT, THE CHINESE CONTINUE TO MAKE REPRESENTATIONS TO SENIOR FOREIGN DIPLOMATS AND OFFICIALS AND TO URGE IRAN AND PAKISTAN TO ESTABLISH CLOSER RELATIONS. PEKING ALSO IS SUPPORTING TEHRAN IN ITS AIMS TO CONSOLIDATE THE PRIMACY OF IRAN OVER THE PERSIAN GULF IN AN EFFORT TO CURB SOVIET INFLUENCE. IN ADDITION, THE CHINESE MADE A QUITE FRIENDLY GESTURE TO TURKEY WHEN CHOU HIMSELF RECENTLY ATTENDED A TURKISH NATIONAL DAY RECEPTION IN PEKING.

IN THE INTEREST OF MAINTAINING A ROUGH REGIONAL POWER BALANCE, PEKING MAY WELL HAVE PRIVATELY WELCOMED THE ENTRY OF A US NAVAL TASK

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FORCE IN THE INDIAN OCEAN AREA AS A RESTRAINING INFLUENCE ON MOSCOW. THE CHINESE PUBLIC REACTION WAS TEPID AND INDIRECT. IT AMOUNTED TO REPLAYING A TANZANIAN PROTEST AND A CEYLONSE ARTICLE PROTESTING THE PRESENCE OF BOTH SOVIET AND AMERICAN WARSHIPS IN THE INDIAN OCEAN.//

A REPORTED SOVIET ARMS GRANT TO KABUL COULD FURTHER COMPLICATE PEKING'S POSITION. ALTHOUGH THE ILL-TRAINED AFGHAN ARMY WOULD BE NO MATCH FOR PAKISTAN, SUBSTANTIAL SOVIET ARMS SHIPMENTS COULD TRIGGER A PAKISTANI REQUEST FOR AID THAT PEKING WOULD FIND DIFFICULT TO TURN DOWN. A CHINESE GRANT TO PAKISTAN, IN TURN, COULD DAMAGE PROSPECTS FOR AN EARLY CHINESE RAPPROCHEMENT WITH INDIA AND POSSIBLY LEAD TO AN INDIAN REQUEST FOR MATCHING AID FROM MOSCOW. {CONFIDENTIAL}

2. CHINA - JAPAN: THE CHINESE ARE STILL PUSHING THE JAPANESE TO CONCLUDE A CIVIL AVIATION AGREEMENT, THE MOST IMPORTANT AND MOST TROUBLESOME OF THE FOUR BILATERAL AGREEMENTS NOW BEING NEGOTIATED. AFTER MAKING TOUGH DEMANDS AT THE OUTSET OF THE NEGOTIATIONS EARLIER THIS YEAR, PEKING HAS NOW REDUCED ITS REQUIREMENTS TO TWO: THAT TOKYO FORCE TAIPEI TO CHANGE THE NAME OF CHINA AIRLINES AND THAT THE PLANES CEASE FLYING THE NATIONALIST FLAG. THE JAPANESE ARE PREPARED

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TO SET UP A DUMMY FIRM, OSTENSIBLY TO REPLACE JAPAN AIRLINES FLIGHTS TO TAIWAN.

ACCEPTANCE OF THESE DEMANDS WOULD ALLOW THE SUBSTANCE OF JAPAN'S LUCRATIVE AIR TRAFFIC TO CONTINUE, ALTERING ONLY THE FORM OF THE INTERCHANGE. IN FACT, CHINA MAY BELIEVE ITS DEMANDS ARE SO REASONABLE THAT TOKYO COULD REJECT THEM ONLY AT THE RISK OF APPEARING INFLEXIBLE.

THE JAPANESE HAVE GONE THROUGH THE MOTIONS OF ACCEPTING PEKING'S PROPOSAL AND HAVE PRESENTED IT TO TAIPEI. HERE, OF COURSE, IS THE STICKING POINT. TAIPEI REFUSES TO ACCEPT THIS ARRANGEMENT FOR THE SAME REASON THAT IT APPEALS TO PEKING: TAIWAN'S INTERNATIONAL STATUS WOULD BE REDUCED YET ANOTHER NOTCH. CONVINCED THAT TOKYO IS MORE INTERESTED IN THE IMMEDIATE PROFITS FROM ITS AIR LINKS WITH TAIWAN THAN ANY LONG-RANGE GAINS FROM NEW TIES WITH PEKING, THE NATIONALISTS HAVE TOLD THE JAPANESE THAT THEY WILL BREAK OFF ALL PRESENT FLIGHTS RATHER THAN CHANGE THE NAME OF THEIR AIRLINE OR FLAG ON ITS PLANES.

THE TANAKA GOVERNMENT IS CONCERNED THAT IF IT TWISTS TAIPEI'S ARM, THE PRO-TAIWAN FACTION IN THE RULING LIBERAL DEMOCRATIC PARTY WOULD BE ROUSED TO ACTIVE OPPOSITION. GIVEN TANAKA'S MANY OTHER

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DOMESTIC PROBLEMS. HE IS UNWILLING TO GO ALL-OUT AT THIS TIME TO GET AN AIR AGREEMENT WITH PEKING. IN FACT, THE JAPANESE HAVE ASKED PEKING TO UNDERSTAND THEIR "DELICATE" POSITION, AND THE CHINESE HAVE NOT PRESSED TOKYO AS HARD AS THEY MIGHT HAVE.

THE RESULT IS CONTINUING STALEMATE. IN SEPTEMBER, PEKING PROPOSED AN EXCHANGE OF VISITS BETWEEN JAPANESE AND CHINESE FOREIGN MINISTERS BEFORE THE END OF 1973. IN THE CIRCUMSTANCES, EVEN IF SUCH VISITS COME OFF, IT IS DIFFICULT TO IMAGINE THAT AN AVIATION AGREEMENT COULD BE CONCLUDED. IT IS MORE LIKELY THAT A TRADE AGREEMENT WOULD BE CONCLUDED.

THE LACK OF URGENCY IN SINO-JAPANESE NEGOTIATIONS IS IN LARGE MEASURE A RESULT OF THE RELATIVE SATISFACTION OF BOTH SIDES WITH THE PRESENT ARRANGEMENT. CHINA'S KEY DIPLOMATIC GOAL WAS ACCOMPLISHED LAST FALL WHEN TOKYO BROKE OFF AMBASSADORIAL RELATIONS WITH TAIWAN AND RECOGNIZED PEKING. NEITHER PEKING NOR TOKYO IS DISPLEASED WITH THE LEVEL OF ECONOMIC INTERCHANGE. DESPITE THE ABSENCE OF THE FORMAL ACCORDS FORESEEN IN 1972, TRADE BETWEEN THE TWO COUNTRIES WILL EXPAND TO OVER \$2 BILLION IN 1973, OVER TWICE THE AMOUNT OF THE PREVIOUS YEAR. {CONFIDENTIAL}

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3. JAPAN: A BALANCE-OF-PAYMENTS DEFICIT OF ALMOST \$1 BILLION WAS REGISTERED IN OCTOBER AS THE TRADE SURPLUS CONTINUED TO SHRINK. OVERALL IMPORTS WERE 77 PERCENT HIGHER THAN A YEAR AGO AND IMPORTS FROM THE US GREW EVEN FASTER. AS A RESULT, THE MONTHLY JAPANESE TRADE SURPLUS WITH THE US FELL TO \$60 MILLION, COMPARED TO \$360 MILLION IN OCTOBER 1972, AND TO ONLY \$120 MILLION ON A GLOBAL BASIS. LONG-TERM CAPITAL OUTFLOWS DECLINED IN OCTOBER, BUT STILL REMAINED ABOVE \$500 MILLION. JAPAN'S OVERALL BALANCE-OF-PAYMENTS DEFICIT SO FAR THIS YEAR AMOUNTS TO ABOUT \$7 BILLION. {CONFIDENTIAL}

4. SOUTH KOREA: STUDENT UNREST CONTINUES UNABATED WITH DEMONSTRATIONS ACCOMPANIED BY SOME ARRESTS OCCURRING AT SEVERAL SEOUL CAMPUSES ON 16 NOVEMBER. KOREA UNIVERSITY HAS SUSPENDED CLASSES FOR A WEEK FOLLOWING A CLASH BETWEEN 2,000 STUDENTS AND POLICE ON 15 NOVEMBER. {CONFIDENTIAL}

5. ARAB STATES - ISRAEL: THE IMPLEMENTATION OF THE CEASE-FIRE AGREEMENT BEGAN ON 15 NOVEMBER, WITH NO SIGNIFICANT PROBLEMS DEVELOPING.

THE FIRST STAGE OF THE PRISONER-OF-WAR EXCHANGE TOOK PLACE WITH

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THE TRANSFER OF 26 ISRAELI WOUNDED PRISONERS AND OVER 400 EGYPTIANS. ACCORDING TO A PRESS ACCOUNT, EGYPT WAS UNABLE TO ORGANIZE THE REPATRIATION OF A LARGER NUMBER OF ISRAELI PRISONERS. NO ADVERSE ISRAELI REACTION TO CAIRO'S DELAY WAS REPORTED.

CONTINGENTS OF THE UNITED NATIONS EMERGENCY FORCE (UNEF) TOOK CONTROL OF THE ISRAELI CHECKPOINTS AT KILOMETERS 101 AND 119. A UNEF PRESS SPOKESMAN CLAIMED THAT THERE ARE NO OTHER ISRAELI CHECKPOINTS ON THE CAIRO-SUEZ ROAD. TRUCKS CARRYING RELIEF SUPPLIES TO SUEZ CITY PASSED THROUGH THE CHECKPOINT AT KILOMETER 101 ON 15 NOVEMBER. AN INTERNATIONAL RED CROSS SPOKESMAN HAS ALSO ANNOUNCED THAT THE EVACUATION OF MORE THAN 1,000 SICK AND WOUNDED EGYPTIAN CIVILIANS FROM SUEZ CITY WILL BEGIN ON 16 NOVEMBER.

ACCORDING TO PRESS REPORTS, ISRAELI DEFENSE MINISTER DAYAN SAID THAT TEL AVIV HAD MADE "FAR REACHING" PROPOSALS TO DAMASCUS INCLUDING AN EXCHANGE OF PRISONERS AND OFFERED TO ALLOW ABOUT 15,000 DISPLACED CIVILIANS FROM NEWLY CAPTURED AREAS ON THE GOLAN HEIGHTS TO RETURN TO THEIR HOMES. MEANWHILE, ISRAELI FOREIGN MINISTER EBAN AND SECRETARY-GENERAL WALDHEIM AT THE UN AND A SPECIAL UN ENVOY IN DAMASCUS ARE

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SEEKING WAYS TO RESOLVE THE ISRAELI-SYRIAN PRISONER ISSUE.

EGYPTIANS HAVE GENERALLY BEEN SATISFIED WITH THE EGYPTIAN-ISRAELI DECISION OF WEDNESDAY TO PROCEED WITH THE IMPLEMENTATION OF FOUR ELEMENTS OF THE SIX-POINT AGREEMENT OF 11 NOVEMBER. THE NEW, BUT RESTRAINED OPTIMISM ENDS A PERIOD OF GLOOM AND FRUSTRATION OVER WHAT EGYPTIANS CONSIDERED ISRAELI OBSTRUCTIONISM AND A BREAKDOWN OF NEGOTIATIONS.

//THE US INTERESTS SECTION BELIEVES THAT//THERE IS NO REAL CHALLENGE TO SADAT'S LEADERSHIP AND//REPORTS THAT//HIS POPULARITY APPEARS TO BE HIGH. SOME UNHAPPINESS EXISTS AMONG UNIVERSITY STUDENTS, AND THERE IS MUTTERING BY YOUNGER OFFICERS, WHO COMPLAIN THAT THE CEASE-FIRE WAS ENTERED INTO FOR POLITICAL, RATHER THAN MILITARY REASONS. NEVERTHELESS, EGYPT APPEARS READY TO GIVE SADAT'S POLITICAL AND DIPLOMATIC EFFORTS A CHANCE TO SUCCEED.

RADIO TRIPOLI ON 15 NOVEMBER CARRIED WHAT WAS DESCRIBED AS A CABLE SENT BY PRESIDENT QADHAFI TO PRESIDENT SADAT DEALING WITH THE ARAB-ISRAELI WAR AND ITS AFTERMATH. QADHAFI'S MESSAGE BITTERLY CONDEMNED SADAT'S ACCEPTANCE OF THE CEASE-FIRE; THE WAR, QADHAFI SAID,

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SHOULD HAVE BEEN CONTINUED "EVEN IF IT DEVELOPED INTO HAND-TO-HAND FIGHTING."

THE COMMUNIQUE ISSUED ON 15 NOVEMBER FOLLOWING THE TITO-BREZHNEV TALKS IN KIEV BROKE NO NEW GROUND ON THE MIDDLE EAST. BOTH LEADERS RECOGNIZED THE IMPORTANCE OF OBTAINING A MIDDLE EAST SETTLEMENT AND REAFFIRMED THEIR READINESS TO MAKE EFFORTS IN THAT DIRECTION. THE COMMUNIQUE ACCUSED ISRAEL OF "CRUDE FLOUTING" OF THE UN CEASE-FIRE RESOLUTIONS AND NOTED THE "DANGEROUS CONSEQUENCES" OF ISRAEL'S "ADVENTUROUS ACTIONS." MEANWHILE, IN MOSCOW, PREMIER KOSYGIN TOLD A GUINEAN DELEGATION THAT THE SOVIETS WILL CONTINUE TO GIVE THE "UTMOST ASSISTANCE" TO IMPLEMENT UN RESOLUTIONS ON THE MIDDLE EAST. PRAVDA ALSO EMPHASIZED MOSCOW'S CONTINUING ROLE IN ACHIEVING A MIDDLE EAST SETTLEMENT.// THE SOVIET WEEKLY NEW TIMES TOUCHED ON THE SENSITIVE SUBJECT OF ARAB FINANCIAL HOLDINGS IN THE WEST BY NOTING THAT SUBSTANTIAL SUMS ARE HELD IN US AND WEST EUROPEAN BANKS. IT SAID "IF THE ARABS WITHDREW ONLY HALF OF THEIR INVESTMENTS, IT WOULD LEAD TO A SERIOUS UPHEAVAL OF THE FINANCES OF MANY WEST EUROPEAN COUNTRIES." THE US WAS NOT EXPLICITLY MENTIONED IN THIS REGARD.

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WESTERN HEMISPHERE BRIEF 073.

ITEMS MARKED & HAVE BEEN COORDINATED WITH THE DEPARTMENTS OF STATE
 AND DEFENSE.

&1.//ARGENTINA: PRESIDENT PERON HAS FAVORED THE RIGHT IN
 REORGANIZING HIS JUSTICIALIST PARTY.//

//PERON ANNOUNCED LAST WEEK THAT THE PERONIST MOVEMENT WAS
 FORMALIZING ITS STRUCTURE AND HE OUTLINED THE NEW ORGANIZATIONAL
 HIERARCHY, NAMING TOP POLITICAL ADVISERS. MISSING FROM THE
 LIST WAS A PROMINENT PERONIST YOUTH LEADER, WHO APPARENTLY STILL
 HOLDS THE EXECUTIVE POST OF LIAISON OFFICER BETWEEN THE GOVERN-
 MENT AND VARIOUS POLITICAL PARTIES. PERON, UNDER PRESSURE FROM
 RIGHTIST ELEMENTS WITHIN THE LABOR MOVEMENT, REPORTEDLY PURGED
 HIM FROM THE PARTY HIERARCHY.//

//THIS MANEUVER MAY INTENSIFY THE ONGOING POWER STRUGGLE
 BETWEEN LEFTIST AND CONSERVATIVE LEADERS IN THE PARTY. MANY
 YOUNG PERONISTS HAVE PROTESTED PUBLICLY, AND SECRETARY TO THE
 PRESIDENCY SOLANO LIMA REPORTEDLY IS LOOKING FOR A WAY FOR
 PERON TO BALANCE THIS MOVE TO HEAD OFF MORE SERIOUS DISSENSION.

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MEANWHILE, VICE PRESIDENT MARIA ESTELA DE PERON AND PRESIDENTIAL CONFIDANT LOPEZ REGA ARE PLANNING A MASS PERONIST RALLY FOR 16 NOVEMBER TO MOBILIZE SUPPORT FOR THE RIGHT WING OF THE JUSTICIALIST PARTY.//

//SO FAR PERON, IN HIS OWN ENIGMATIC FASHION, HAS REFUSED OPEN SUPPORT FOR ANY SPECIFIC GROUP WITHIN THE MOVEMENT. PERON'S LATEST MOVE, HOWEVER, IS IN LINE WITH HIS LONG-RANGE STRATEGY TO SEPARATE OUT EXTREME LEFTISTS, WHILE RETAINING THE SUPPORT OF THE MAJORITY OF THE YOUTH. {SECRET}//

2. CHILE: THE JUNTA GOVERNMENT BROKE RELATIONS WITH CUBA IMMEDIATELY AFTER THE COUP, BUT HAS OTHERWISE BEEN TRYING TO AVOID DIPLOMATIC ISOLATION AND UPHOLD CHILE'S STANDING AS A MEMBER OF THE "NONALIGNED" GROUP. THE EFFORT TO MAINTAIN DIPLOMATIC TIES WITH AS MANY NATIONS AS POSSIBLE HAS EVEN EXTENDED TO SOME NON-NATIONS WITH WHOM CHILE ESTABLISHED RELATIONS UNDER ALLENDE. CHILE THUS CONTINUES TO RECOGNIZE THE PROVISIONAL REVOLUTIONARY GOVERNMENT OF SOUTH VIETNAM (EVEN THOUGH THE PRGSVN HAS CLOSED ITS MISSION IN SANTIAGO), AND CAMBODIAN

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PRINCE SIHANOUK'S GRUNK (WHICH STILL MAINTAINS AN AMBASSADOR IN THE CHILEAN CAPITAL}. THE NEW CHILEAN GOVERNMENT FAILED TO VOTE IN FAVOR OF THE KHMER REPUBLIC'S CREDENTIALS AT A UNESCO CONFERENCE LAST MONTH, DESPITE A KHMER VOTE IN FAVOR OF CHILE.

A FOREIGN MINISTRY OFFICIAL RECENTLY INFORMED THE US CHARGE THAT CHILE WILL OPPOSE EFFORTS TO INVITE THE PRG AND GRUNK TO THE UPCOMING LAW OF THE SEA CONFERENCE, HOWEVER. REFLECTION ON THE IMPLICATIONS OF RECOGNIZING ENTITIES SUCH AS THE PRG AND GRUNK WHEN THE JUNTA COULD EVENTUALLY FIND ITS OWN LEGITIMACY CHALLENGED BY A LEFTIST GOVERNMENT IN EXILE, AND SOME LOBBYING BY THE US MAY HAVE COMBINED TO CONVINCE THE JUNTA THAT NO STATE SHOULD BE REPRESENTED BY MORE THAN ONE GOVERNMENT. {CONFIDENTIAL}

3. CUBA: A PANEL DISCUSSION ON HAVANA DOMESTIC RADIO EARLIER THIS WEEK DEMONSTRATED CONTINUED CUBAN ANXIETY OVER DEVELOPMENTS IN ARGENTINA. THE CUBAN LEADERSHIP, ALREADY CONCERNED OVER PERON'S ANTI-MARXIST CAMPAIGN, IS NOW FRETTERING OVER THE IMPLICATIONS OF THE RECENT VISIT OF BOLIVIA'S PRESIDENT BANZER TO ARGENTINA AND PERON'S IMPENDING TRIP TO THE US.

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TWO WEEKS AGO, A RADIO COMMENTARY DESCRIBED PERON'S
 "CAUTIOUS COURSE" AS OPPOSED TO THE "RADICAL REFORMS" DEMANDED
 BY THE "OVERWHELMING MAJORITY OF ARGENTINE PEOPLE" WHO VOTED FOR
 HIM. HAVANA HAS NOW GONE ONE STEP FURTHER BY DESCRIBING PERON'S
 ACTIONS AS A SHIFT TO THE RIGHT. ONE PANELIST ADDED THAT IT
 APPEARS THAT PERON■■■■ "WILL CARRY OUT COUNTER-REFORMS TOO, IN
 THE SENSE OF REPRESSING THE LEFT."

THIS IS UNJUSTIFIED IN HAVANA'S OPINION, BECAUSE PERON
 REGAINED POLITICAL CONTROL IN ARGENTINA AFTER GUERRILLA GROUPS
 AND THE RADICAL LEFT CREATED AN UNTENABLE SITUATION FOR THE
 MILITARY REGIME. THE PROGRAM CONCLUDED WITH A WARNING TO PERON
 THAT AN ALLIANCE WITH THE RIGHT WOULD UPSET THE POLITICAL BAL-
 ANCE IN ARGENTINA AND AN IMPLIED REMINDER THAT THE LEFT CAN ALSO
 MAKE THINGS AS DIFFICULT FOR PERON AS IT DID FOR THE PREVIOUS
 MILITARY GOVERNMENTS.

THE CONTENT OF THE BROADCAST REFLECTS THE GENUINE CONCERN
 OF THE CUBAN LEADERSHIP, BUT THERE APPEARS TO BE SOME HOPE THAT
 PERON'S RECENT ACTIONS WILL ONLY BE TEMPORARY. SINCE THE

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COMMENTARY WAS CARRIED ON A DOMESTIC BROADCAST, HAVANA'S MAIN PURPOSE IS PROBABLY TO PREPARE ITS CUBAN AUDIENCE FOR MORE BAD NEWS FROM SOUTH AMERICA. {CONFIDENTIAL}

4. [REDACTED] REPORT THAT CUBANS WHO ARE ADVISING PANAMANIAN LITTLE LEAGUE TEAMS ARE USING THEIR SPORTS ACTIVITIES AS COVER FOR INTELLIGENCE COLLECTION. [REDACTED]

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[REDACTED] OFFICIALS OF THE CUBAN GENERAL DIRECTORATE OF INTELLIGENCE WHO WERE IN PANAMA WITH THE KNOWLEDGE AND APPROVAL OF THE TORRIJOS GOVERNMENT. THE CUBANS PROBABLY USE SPORTS PROGRAMS AS COVER FOR INTELLIGENCE COLLECTION ACTIVITIES BECAUSE THEY HAVE NO DIPLOMATIC REPRESENTATION IN PANAMA.//

//WHEN REPORTERS ASK HIM ABOUT THE POSSIBILITY OF THE ESTABLISHMENT OF FULL DIPLOMATIC TIES WITH THE CASTRO GOVERNMENT, TORRIJOS USUALLY REPLIES THAT THE TWO COUNTRIES HAVE BROAD CULTURAL AND SOME TRADE LINKS AND THAT HE FEELS UNDER NO PRESSURE TO SET UP DIPLOMATIC RELATIONS. HE FINDS FRIENDSHIP WITH HAVANA USEFUL IN PROMOTING HIS "REVOLUTIONARY" IMAGE AND

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IN DEMONSTRATING A MEASURE OF INDEPENDENCE FROM THE US, BUT IS RELUCTANT TO MOVE TOO MUCH CLOSER TO AN ANTAGONIST OF THE US AS LONG AS HE THINKS HE HAS A CHANCE OF OBTAINING AN ACCEPTABLE CANAL TREATY PACKAGE FROM WASHINGTON. IF, ON THE OTHER HAND, HE COMES TO BELIEVE HE HAS NO CHANCE FOR A NEGOTIATED "VICTORY" HE MIGHT DECIDE THAT DIPLOMATIC TIES WITH HAVANA WOULD BE ADVANTAGEOUS. {CONFIDENTIAL}//

5. ARAB STATES-ISRAEL: THE IMPLEMENTATION OF THE CEASE-FIRE AGREEMENT BEGAN ON 15 NOVEMBER, WITH NO SIGNIFICANT PROBLEMS DEVELOPING.

THE FIRST STAGE OF THE PRISONER-OF-WAR EXCHANGE TOOK PLACE WITH THE TRANSFER OF 26 ISRAELI WOUNDED PRISONERS AND OVER 400 EGYPTIANS. ACCORDING TO A PRESS ACCOUNT, EGYPT WAS UNABLE TO ORGANIZE THE REPATRIATION OF A LARGER NUMBER OF ISRAELI PRISONERS. NO ADVERSE ISRAELI REACTION TO CAIRO'S DELAY WAS REPORTED.

CONTINGENTS OF THE UNITED NATIONS EMERGENCY FORCE {UNEF} TOOK CONTROL OF THE ISRAELI CHECKPOINTS AT KILOMETERS 101 AND 119. A UNEF PRESS SPOKESMAN CLAIMED THAT THERE ARE NO OTHER

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ISRAELI CHECKPOINTS ON THE CAIRO-SUEZ ROAD. TRUCKS CARRYING RELIEF SUPPLIES TO SUEZ CITY PASSED THROUGH THE CHECKPOINT AT KILOMETER 101 ON 15 NOVEMBER. AN INTERNATIONAL RED CROSS SPOKESMAN HAS ALSO ANNOUNCED THAT THE EVACUATION OF MORE THAN 1,000 SICK AND WOUNDED EGYPTIAN CIVILIANS FROM SUEZ CITY WILL BEGIN ON 16 NOVEMBER.

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EGYPTIANS HAVE GENERALLY BEEN SATISFIED WITH THE EGYPTIAN-ISRAELI DECISION OF WEDNESDAY TO PROCEED WITH THE IMPLEMENTATION OF FOUR ELEMENTS OF THE SIX-POINT AGREEMENT OF 11 NOVEMBER. THE NEW, BUT RESTRAINED OPTIMISM ENDS A PERIOD OF GLOOM AND

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FRUSTRATION OVER WHAT EGYPTIANS CONSIDERED ISRAELI OBSTRUCTION-
ISM AND A BREAKDOWN OF NEGOTIATIONS.

//THE US INTERESTS SECTION BELIEVES THAT//THERE IS NO REAL CHALLENGE TO SADAT'S LEADERSHIP AND//REPORTS THAT//HIS POPULARITY APPEARS TO BE HIGH. SOME UNHAPPINESS EXISTS AMONG UNIVERSITY STUDENTS, AND THERE IS MUTTERING BY YOUNGER OFFICERS, WHO COMPLAIN THAT THE CEASE-FIRE WAS ENTERED INTO FOR POLITICAL, RATHER THAN MILITARY REASONS. NEVERTHELESS, EGYPT APPEARS READY TO GIVE SADAT'S POLITICAL AND DIPLOMATIC EFFORTS A CHANCE TO SUCCEED.

RADIO TRIPOLI ON 15 NOVEMBER CARRIED WHAT WAS DESCRIBED AS A CABLE SENT BY PRESIDENT QADHAFI TO PRESIDENT SADAT DEALING WITH THE ARAB-ISRAELI WAR AND ITS AFTERMATH. QADHAFI'S MESSAGE BITTERLY CONDEMNED SADAT'S ACCEPTANCE OF THE CEASE-FIRE; THE WAR, QADHAFI SAID, SHOULD HAVE BEEN CONTINUED "EVEN IF IT DEVELOPED INTO HAND-TO-HAND FIGHTING."

THE COMMUNIQUE ISSUED ON 15 NOVEMBER FOLLOWING THE TITO-BREZHNEV TALKS IN KIEV BROKE NO NEW GROUND ON THE MIDDLE EAST.

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BOTH LEADERS RECOGNIZED THE IMPORTANCE OF OBTAINING A MIDDLE EAST SETTLEMENT AND REAFFIRMED THEIR READINESS TO MAKE EFFORTS IN THAT DIRECTION. THE COMMUNIQUE ACCUSED ISRAEL OF "CRUDE FLOUTING" OF THE UN CEASE-FIRE RESOLUTIONS AND NOTED THE "DANGEROUS CONSEQUENCES" OF ISRAEL'S "ADVENTUROUS ACTIONS." MEANWHILE, IN MOSCOW, PREMIER KOSYGIN TOLD A GUINEAN DELEGATION THAT THE SOVIETS WILL CONTINUE TO GIVE THE "UTMOST ASSISTANCE" TO IMPLEMENT UN RESOLUTIONS ON THE MIDDLE EAST. PRAVDA ALSO EMPHASIZED MOSCOW'S CONTINUING ROLE IN ACHIEVING A MIDDLE EAST SETTLEMENT. //THE SOVIET WEEKLY NEW TIMES TOUCHED ON THE SENSITIVE SUBJECT OF ARAB FINANCIAL HOLDINGS IN THE WEST BY NOTING THAT SUBSTANTIAL SUMS ARE HELD IN US AND WEST EUROPEAN BANKS. IT SAID "IF THE ARABS WITHDREW ONLY HALF OF THEIR INVESTMENTS, IT WOULD LEAD TO A SERIOUS UPHEAVAL OF THE FINANCES OF MANY WEST EUROPEAN COUNTRIES." THE US WAS NOT EXPLICITLY MENTIONED IN THIS REGARD. ALTHOUGH MOSCOW HAS ENDORSED THE USE OF ARAB OIL, IT HAS NOT MADE SUCH EXPLICIT REFERENCE TO THE SIGNIFICANCE OF ARAB FINANCIAL RESERVES.//

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//THE FRENCH FOREIGN MINISTRY HAS REJECTED THE INITIAL DRAFT OF THE EC'S PROPOSED JOINT DEMARCHE TO THE ARABS. PRESUMABLY PARIS OBJECTED ■ TO THE FIRST PARAGRAPH OF THE PROPOSED TEXT, WHICH NOTED THAT "RECENT MEASURES TAKEN BY ARAB STATES ARE OF SUCH A NATURE AS TO AFFECT THE EUROPEAN COMMUNITY--AND CERTAIN OF ITS MEMBERS IN PARTICULAR--TO DISTURB PUBLIC OPINION, AND TO HAVE A NEGATIVE EFFECT ON EUROPEAN-ARAB RELATIONS." ■■■THE DRAFT WILL PROBABLY BE REVIEWED AGAIN, AND MAY BE SOFTENED, AT THE EC FOREIGN MINISTERS' MEETING SCHEDULED FOR 20 NOVEMBER IN COPENHAGEN.//

FURTHER PROGRESS HAS BEEN MADE AT THE UN IN ASSEMBLING THE PEACEKEEPING FORCE. THE UN EMERGENCY FORCE NOW HAS APPROXIMATELY 2,200 TROOPS IN THE MIDDLE EAST AND ENOUGH PLEDGES TO BRING IT CLOSE TO THE 7,000-MAN GOAL. NEGOTIATIONS HAVE ALSO REACHED TENTATIVE AGREEMENT ON A SPECIAL ASSESSMENT SCALE FOR THE FINANCING OF THE EMERGENCY FORCE. UNEF, HOWEVER, IS STILL WITHOUT ADEQUATE SUPPLIES OR LOGISTIC SUPPORT FOR ITS RAPIDLY GROWING FORCES. {SECRET} E-2IMPDET.H

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EUROPEAN BRIEF 073.

ITEMS MARKED & HAVE BEEN COORDINATED WITH THE DEPARTMENTS
 OF STATE AND DEFENSE.

&1.//EC: THE COUNCIL OF FINANCE MINISTERS AGREED LAST WEEK
 TO TRY TO FORMULATE A JOINT ANTI-INFLATION PROGRAM AND TO CON-
 sider STEPS TO RENEW PROGRESS TOWARD ECONOMIC AND MONETARY UNION
 BEFORE YEAR'S END.//

//FOLLOWING APPROVAL OF THE COMMISSION'S ANNUAL ECONOMIC
 REPORT HIGHLIGHTING THE INFLATION PROBLEM, FRENCH FINANCE MINISTER
 GISCARD D'ESTAING SUGGESTED A NEW COMMUNITY APPROACH TO COMBAT
 INFLATION. THE SIX PROPOSALS INCLUDE: LIMITING THE GROWTH OF
 MONEY SUPPLIES; LIBERALIZING IMPORT QUOTAS, PARTICULARLY ON
 PROCESSED AGRICULTURAL PRODUCTS; AND INCOME CONTROLS. SOME
 COUNTRIES--NOTABLY WEST GERMANY--BELIEVE THEY HAVE ALREADY TAKEN
 ADEQUATE MEASURES AND OPPOSE WAGE AND PRICE CONTROLS. NONE THELESS,
 THE COUNCIL GENERALLY FAVORED THESE PROPOSALS AND ORDERED THE
 COMMISSION TO PREPARE A SPECIFIC ANTI-INFLATION PROGRAM FOR COUNCIL
 DISCUSSION ON 3-4 DECEMBER. THE IMPACT OF ANY SUCH PROGRAM

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PROBABLY WILL BE SLIGHT; EVEN THE RELATIVELY WEAK MEASURES OF
PAST COMMUNITY EFFORTS HAVE BEEN OFTEN IGNORED BY MEMBER STATES.//

//THE DECISION TO CONSIDER NEW STEPS TOWARD ECONOMIC AND
MONETARY UNION WERE FORCED BY A BOLD COMMISSION INITIATIVE DURING
THE MEETING. IN A SURPRISE MOVE, THE COMMISSION CALLED ON THE
COUNCIL TO STRENGTHEN THE INSTITUTIONAL FRAMEWORK FOR MOVING TOWARD
ECONOMIC AND MONETARY UNION AND ANNOUNCED THAT IT WILL SHORTLY
SUBMIT PROPOSALS FOR THE NEXT STEPS. THE EC HEADS OF STATE, AT
LAST YEAR'S SUMMIT, SET 1 JANUARY 1974 AS THE TARGET FOR THE SECOND
STAGE OF ECONOMIC AND MONETARY UNION. THE FIRST STAGE HAS BEEN
UNSATISFACTORY, HOWEVER. THE UK, IRELAND, AND ITALY ARE NOT IN THE
JOINT CURRENCY FLOAT, INTRA-EC ECONOMIC POLICY COORDINATION HAS
NOT ADVANCED VERY MUCH, AND THE SECOND STAGE HAS NOT YET BEEN
DEFINED. SEVERAL MEMBERS HAVE FAVORED FORMAL POSTPONEMENT OF THE
SECOND STAGE UNTIL THESE AND OTHER PROBLEMS ARE OVERCOME. LAST
WEEK, HOWEVER, THE MINISTERS APPEARED READY TO CIRCUMVENT FORMAL
SCHEDULE DECISIONS AND TO MOVE ON NEW PRACTICAL PROPOSALS. EVEN THE
FRENCH NOW SEEM TO FAVOR CLOSER ECONOMIC COORDINATION WHICH

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FORMERLY THEY HAD RESISTED BECAUSE THEY CLAIMED IT WOULD COMPROMISE THEIR SOVEREIGNTY.//

//DESPITE THIS APPARENT CHANGE IN ATTITUDES, PROGRESS TOWARD ECONOMIC AND MONETARY UNION WILL CONTINUE TO BE SLOW. A REGIONAL FUND--FAVORED BY THE UK, IRELAND, AND ITALY--MIGHT BE ADOPTED BY THE END OF THE YEAR, BUT WEST GERMANY, THE MAJOR CONTRIBUTOR, WILL INSIST THAT THE FUND'S SIZE BE SMALL. SHORT-TERM MONETARY SUPPORT FOR THE JOINT FLOAT COULD BE INCREASED BEFORE THE YEAR IS OUT, BUT ADDITIONAL CREDITS--SWAP ARRANGEMENTS, FOR EXAMPLE--WILL BE LESS AUTOMATIC THAN THE COMMISSION WOULD LIKE. RESERVE POOLING, EXCEPT ON A TOKEN BASIS, AND ADOPTION OF A UNIFIED POSITION ON INTERNATIONAL MONETARY REFORM, BOTH STRONGLY FAVORED BY THE COMMISSION, WILL NOT BE APPROVED UNTIL ADEQUATE COMMUNITY POLITICAL INSTITUTIONS ARE ESTABLISHED.//

//LAST WEEK'S MEETING WAS DESIGNED TO GET THE EC MOVING AGAIN TOWARD THE ESTABLISHMENT OF AN ECONOMIC AND MONETARY UNION BY THE 1980 DEADLINE. IN CONTRAST WITH THE LACK OF PROGRESS AT EARLIER FINANCE MINISTERS' MEETINGS, NATIONAL REPRESENTATIVES AT THIS

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SESSION SHOWED SUFFICIENT POLITICAL WILL TO HOLD OUT HOPE FOR
THEIR UNITY GOALS. {CONFIDENTIAL} //

&2.//WEST GERMANY: BONN REGISTERED A \$1.6-BILLION
TRADE SURPLUS IN SEPTEMBER, RAISING THE CUMULATIVE
SURPLUS FOR THE FIRST NINE MONTHS OF 1973 TO \$8.7
BILLION. THIS IS MORE THAN DOUBLE THE LEVEL FOR THE
COMPARABLE PERIOD OF 1972. TRADE DECLINED IN AUGUST
AS A RESULT OF SEASONAL FACTORS, BUT REBOUNDED IN
SEPTEMBER WHEN EXPORTS WERE UP 63 PERCENT AND IM-
PORTS UP 40 PERCENT, COMPARED WITH SEPTEMBER 1972.
EXPORTS PROBABLY WILL CONTINUE AT HIGH LEVELS IN
THE REMAINING MONTHS OF THE YEAR, CONTRIBUTING TO
AN ANNUAL TRADE SURPLUS THAT IS LIKELY TO REACH A
RECORD LEVEL OF AT LEAST \$12 BILLION.

A SURPLUS OF \$250 MILLION IN TRADE WITH THE
US ACCOUNTED FOR ONE SIXTH OF WEST GERMANY'S TOTAL
SURPLUS IN SEPTEMBER. THE NINE-MONTH SURPLUS WITH
THE US REACHED NEARLY \$1 BILLION AND IS LIKELY TO

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APPROACH \$1.5 BILLION FOR THE ENTIRE YEAR. ALTHOUGH
 US SALES OF AGRICULTURAL COMMODITIES HAVE RISEN
 DRAMATICALLY THIS YEAR, THESE GAINS HAVE BEEN MORE
 THAN OFFSET BY INCREASED US IMPORTS OF INTERMEDIATE
 GOODS AND MANUFACTURES, PARTICULARLY TRANSPORT
 EQUIPMENT. {CONFIDENTIAL} //

3. ROMANIA: THE ARAB DISREGARD OF A ROMANIAN INVITATION
 TO MEET WITH ISRAELI FOREIGN MINISTER EBAN IN BUCHAREST LAST WEEK
 HAS APPARENTLY LEFT UNDAUNTED CEAUSESCU'S DESIRE TO PLAY THE
 ROLE OF "HONEST BROKER" IN THE MID-EAST CRISIS. BUCHAREST'S
 LATEST STEP HAS BEEN THE DISPATCH OF "PRESIDENTIAL REPRESENTATIVES"
 TO CONFER WITH ARAB LEADERS. FORMER FOREIGN MINISTER CORNELIU
 MANESCU MET WITH SADAT SOON AFTER HIS ARRIVAL IN CAIRO ON
 NOVEMBER 14 AND HAS GONE ON TO RABAT AND KHARTOUM FOREIGN AFFAIRS
 ADVISOR MIRCEA MALITA WAS RECEIVED PROMPTLY BY ASAD IN DAMASCUS
 AND IS EN ROUTE TO BAGHDAD. THE ROMANIAN ENVOYS MAY BE CARRYING
 A NEW PEACE PROPOSAL BASED ON LAST WEEK'S ROMANIAN-ISRAELI
 TALKS. {CONFIDENTIAL}

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4. ARAB STATES - ISRAEL: THE IMPLEMENTATION OF THE CEASE-FIRE AGREEMENT BEGAN ON 15 NOVEMBER, WITH NO SIGNIFICANT PROBLEMS DEVELOPING.

THE FIRST STAGE OF THE PRISONER-OF-WAR EXCHANGE TOOK PLACE WITH THE TRANSFER OF 26 ISRAELI WOUNDED PRISONERS AND OVER 400 EGYPTIANS. ACCORDING TO A PRESS ACCOUNT, EGYPT WAS UNABLE TO ORGANIZE THE REPATRIATION OF A LARGER NUMBER OF ISRAELI PRISONERS. NO ADVERSE ISRAELI REACTION TO CAIRO'S DELAY WAS REPORTED.

CONTINGENTS OF THE UNITED NATIONS EMERGENCY FORCE (UNEF) TOOK CONTROL OF THE ISRAELI CHECKPOINTS AT KILOMETERS 101 AND 119. A UNEF PRESS SPOKESMAN CLAIMED THAT THERE ARE NO OTHER ISRAELI CHECKPOINTS ON THE CAIRO-SUEZ ROAD. TRUCKS CARRYING RELIEF SUPPLIES TO SUEZ CITY PASSED THROUGH THE CHECKPOINT AT KILOMETER 101 ON 15 NOVEMBER. AN INTERNATIONAL RED CROSS SPOKESMAN HAS ALSO ANNOUNCED THAT THE EVACUATION OF MORE THAN 1,000 SICK AND WOUNDED EGYPTIAN CIVILIANS

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FROM SUEZ CITY WILL BEGIN ON 16 NOVEMBER.

ACCORDING TO PRESS REPORTS, ISRAELI DEFENSE MINISTER DAYAN SAID THAT TEL AVIV HAD MADE "FAR REACHING" PROPOSALS TO DAMASCUS INCLUDING AN EXCHANGE OF PRISONERS AND OFFERED TO ALLOW ABOUT 15,000 DISPLACED CIVILIANS FROM NEWLY CAPTURED AREAS ON THE GOLAN HEIGHTS TO RETURN TO THEIR HOMES. MEANWHILE, ISRAELI FOREIGN MINISTER EBAN AND SECRETARY-GENERAL WALDHEIM AT THE UN AND A SPECIAL UN ENVOY IN DAMASCUS ARE SEEKING WAYS TO RESOLVE THE ISRAELI-SYRIAN PRISONER ISSUE.

EGYPTIANS HAVE GENERALLY BEEN SATISFIED WITH THE EGYPTIAN-ISRAELI DECISION OF WEDNESDAY TO PROCEED WITH THE IMPLEMENTATION OF FOUR ELEMENTS OF THE SIX-POINT AGREEMENT OF 11 NOVEMBER. THE NEW, BUT RESTRAINED OPTIMISM ENDS A PERIOD OF GLOOM AND FRUSTRATION OVER WHAT EGYPTIANS CONSIDERED ISRAELI OBSTRUCTIONISM AND A BREAKDOWN OF NEGOTIATIONS.

//THE US INTERESTS SECTION BELIEVES THAT//THERE IS

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NO REAL CHALLENGE TO SADAT'S LEADERSHIP AND//REPORTS THAT//HIS POPULARITY APPEARS TO BE HIGH. SOME UNHAPPINESS EXISTS AMONG UNIVERSITY STUDENTS, AND THERE IS MUTTERING BY YOUNGER OFFICERS, WHO COMPLAIN THAT THE CEASE-FIRE WAS ENTERED INTO FOR POLITICAL, RATHER THAN MILITARY REASONS. NEVERTHELESS, EGYPT APPEARS READY TO GIVE SADAT'S POLITICAL AND DIPLOMATIC EFFORTS A CHANCE TO SUCCEED.

RADIO TRIPOLI ON 15 NOVEMBER CARRIED WHAT WAS DESCRIBED AS A CABLE SENT BY PRESIDENT QADHAFI TO PRESIDENT SADAT DEALING WITH THE ARAB-ISRAELI WAR AND ITS AFTERMATH. QADHAFI'S MESSAGE BITTERLY CONDEMNED SADAT'S ACCEPTANCE OF THE CEASE-FIRE; THE WAR, QADHAFI SAID, SHOULD HAVE BEEN CONTINUED "EVEN IF IT DEVELOPED INTO HAND-TO-HAND FIGHTING."

THE COMMUNIQUE ISSUED ON 15 NOVEMBER FOLLOWING THE TITO-BREZHNEV TALKS IN KIEV BROKE NO NEW GROUND ON THE MIDDLE EAST. BOTH LEADERS RECOGNIZED THE IMPORTANCE OF

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OBTAINING A MIDDLE EAST SETTLEMENT AND REAFFIRMED THEIR READINESS TO MAKE EFFORTS IN THAT DIRECTION. THE COMMUNIQUE ACCUSED ISRAEL OF "CRUDE FLOUTING" OF THE UN CEASE-FIRE RESOLUTIONS AND NOTED THE "DANGEROUS CONSEQUENCES" OF ISRAEL'S "ADVENTUROUS ACTIONS." MEANWHILE, IN MOSCOW, PREMIER KOSYGIN TOLD A GUINEAN DELEGATION THAT THE SOVIETS WILL CONTINUE TO GIVE THE "UTMOST ASSISTANCE" TO IMPLEMENT UN RESOLUTIONS ON THE MIDDLE EAST. PRAVDA ALSO EMPHASIZED MOSCOW'S CONTINUING ROLE IN ACHIEVING A MIDDLE EAST SETTLEMENT.// THE SOVIET WEEKLY NEW TIMES TOUCHED ON THE SENSITIVE SUBJECT OF ARAB FINANCIAL HOLDINGS IN THE WEST BY NOTING THAT SUBSTANTIAL SUMS ARE HELD IN US AND WEST EUROPEAN BANKS. IT SAID "IF THE ARABS WITHDREW ONLY HALF OF THEIR INVESTMENTS, IT WOULD LEAD TO A SERIOUS UPHEAVAL OF THE FINANCES OF MANY WEST EUROPEAN COUNTRIES." THE US WAS NOT EXPLICITLY MENTIONED IN THIS REGARD. ALTHOUGH MOSCOW HAS ENDORSED THE USE OF ARAB OIL, IT HAS NOT

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MADE SUCH EXPLICIT REFERENCE TO THE SIGNIFICANCE OF
 ARAB FINANCIAL RESERVES.//

//THE FRENCH FOREIGN MINISTRY HAS REJECTED THE
 INITIAL DRAFT OF THE EC'S PROPOSED JOINT DEMARCHE TO
 THE .BS. PRESUMABLY PARIS OBJECTED TO THE FIRST
 PARAGRAPH OF THE PROPOSED TEXT, WHICH NOTED THAT
 "RECENT MEASURES TAKEN BY ARAB STATES ARE OF SUCH A
 NATURE AS TO AFFECT THE EUROPEAN COMMUNITY--AND CER-
 TAIN OF ITS MEMBERS IN PARTICULAR--TO DISTURB PUBLIC
 OPINION, AND TO HAVE A NEGATIVE EFFECT ON EUROPEAN-
 ARAB RELATIONS." THE DRAFT WILL PROBABLY BE REVIEWED
 AGAIN, AND MAY BE SOFTENED, AT THE EC FOREIGN MINIS-
 TERS' MEETING SCHEDULED FOR 20 NOVEMBER IN COPENHAGEN.//

FURTHER PROGRESS HAS BEEN MADE AT THE UN IN
 ASSEMBLING THE PEACEKEEPING FORCE. THE UN EMERGENCY
 FORCE NOW HAS APPROXIMATELY 2,200 TROOPS IN THE MID-
 DLE EAST AND ENOUGH PLEDGES TO BRING IT CLOSE TO THE
 7,000-MAN GOAL. NEGOTIATIONS HAVE ALSO REACHED TENTA-

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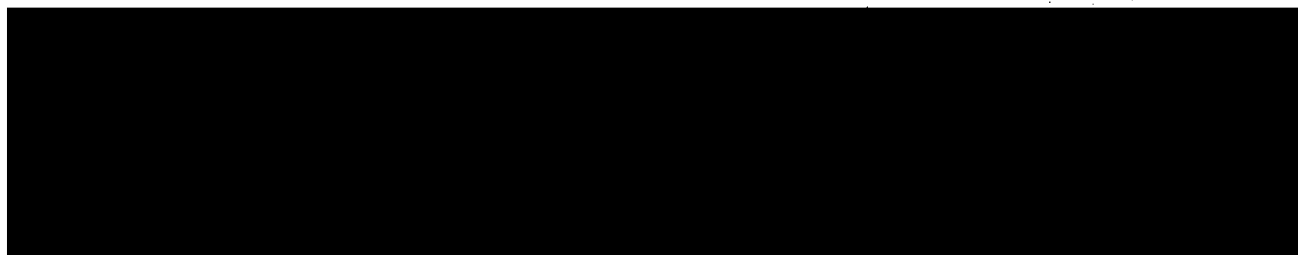
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TIVE AGREEMENT ON A SPECIAL ASSESSMENT SCALE FOR THE
 FINANCING OF THE EMERGENCY FORCE. UNEF, HOWEVER, IS
 STILL WITHOUT ADEQUATE SUPPLIES OR LOGISTIC SUPPORT
 FOR ITS RAPIDLY GROWING FORCES. {SECRET}E-2 IMPDETH

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